

Message Text

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LIMDIS

ARA PLEASE PASS TO AMBASSADOR BREWSTER

E.O. 11652: GDS

TAGS: PFOR, EC, OAS, XM

SUBJECT: ECUADOR, OPEC, THE TRADE REFORM ACT, AND BUENOS AIRES

REF: CARACAS 0149

1. SUMMARY: IN A TWO HOUR CONVERSATION JAN. 6 WITH POLCON AND EMBOFF, JULIO PRADO, FORMER FOREIGN MINISTER AND CONFIDANT OF FONMIN LUCIO-PAREDES, DISCUSSED HIS VIEWS ON GOE REACTION TO TRADE BILL. DESPITE RECOGNITION OF THE DEPTH OF AMERICAN SENTIMENT THAT LED TO INCLUSION OF THE ANTI-OPEC PROVISIONS OF THE ACT, ECUADOR IS OFFENDED BY THE PROVISIONS OF THE TRADE REFORM ACT THAT DENY HER ACCESS TO GENERALIZED PREFERENCES. THE GOE WOULD LIKE TO FIND A WAY OUT OF THE PRESENT ATMOSPHERE OF CONFRONTATION BETWEEN ECUADOR/VENEZUELA AND THE US, WHICH WOULD PERMIT THE USG TO HONOR CONGRESSIONAL STRICTURES AGAINST THOSE WHO IMPOSED THE OIL EMBARGO OF LAST WINTER, BUT AT THE SAME TIME MAKE A BOW TOWARD HEMISPHERIC PARTNERSHIP AND SPECIFICALLY RECOGNIZE THAT ECUADOR AND VENEZUELA DID NOT PARTICIPATE IN THE OIL EMBARGO AND HAVE BEEN "FAITHFUL
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ALLIES, FRIENDS AND SUPPLIERS OF RAW MATERIALS THROUGHOUT

THE HISTORY OF OUR RELATIONS." END SUMMARY.

2. ACCORDING TO PRADO, WHO HAD JUST COME FROM A DISCUSSION WITH LUCIO PAREDES AND HAD CLEARLY BEEN SHOWN THE RECENT CORRESPONDENCE BETWEEN SECRETARY KISSINGER AND THE FONMIN, ECUADOR'S PROPOSED BOYCOTT OF BUENOS AIRES WAS FORMULATED ON DECEMBER 26, AND CLEARED WITH PRESIDENT RODRIGUEZ UPON THE LATTER'S RETURN TO QUITO ON THE 31ST FROM A HEGIRA TO THE COAST. PRADO SAID PRES. RODRIGUEZ DID NOT GIVE HIS FINAL OK UNTIL AFTER TELEPHONIC CONVERSATION WITH PRESIDENT PEREZ ON TUESDAY, THE 31ST, DURING WHICH RODRIGUEZ RECEIVED WHAT HE INTERPRETED AS A CLEAR ASSURANCE THAT VENEZUELA WOULD JOIN ECUADOR IN A BOYCOTT OF BA MEETING IF PRESIDENT FORD SIGNED THE ACT WITH THE ANTI-OPEC PROVISIONS.

3. ECUADOR REALIZES THAT FEW IF ANY OF HER EXPORTS ARE AFFECTED BY THE LEGISLATION. HOWEVER, SHE IS CLEARLY RANKLED BY THE FAIRLUE OF OUR CONGRESS TO DISTINGUISH BETWEEN THE ARAB MEMBERS OF OPEC, WHO IMPOSED THE OIL EMBARGO LAST WINTER, AND ECUADOR/ VENEZUELA, NEITHER OF WHOM WENT ALONG WITH THE EMBARGO. ECUADOR FURTHER REGARDS THE ANTI-OPEC PROVISIONS AS DESIGNED, INTENTIONALLY OR OTHERWISE, AT KEEPING HER A PRIMARY PRODUCTS/ RAW MATERIALS PRODUCER. WITHOUT THE INCENTIVE OR POSSIBILITY TO BUILD AN INDUSTRIAL SECTOR.

4. PRADO SAID ECUADOREANS HAVE IMPRESSION THERE ARE WAIVER POSSIBILITIES IN THE PRESENT LAW, AND BELIEVE THAT THEREIN MAY BE THE MEANS WHEREBY THE US MIGHT MAKE A GESTURE TOWARD HEMISPHERIC SOLIDARTIY WHILE AT THE SAME TIME BOWING TO THE PREVAILING MOOD OF THE CONGRESS AND PUBLIC SENTIMENT IN THE US, WHICH THEY RECOGNIZE TO BE PROFOUNDLY ANTI-OPEC (BUT WHICH ECUADOR HOPES CAN BE REFINED TO MEAN THE ARAB PRODUCERS WHO IMPOSED THE EMBARGO, RATHER THAN ECUADOR/VENEZUELA, WHICH DID NOT). WITH SUCH A GESTURE FROM THE US, PRADO BELIEVES IT WOULD BE POSSIBLE FOR ECUADOR AND VENEZUELA TO ANNOUNCE THAT THEY HAVE REVIEWED THEIR POSITION, AGREE THAT A CONFERENCE OF HEMISPHERIC FOREIGN MINISTERS AT BUENOS AIRES WOULD NOW SERVE A USEFUL PURPOSE, AND THAT THEY WILL ATTEND.

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5. OPTIMALLY, ACCORDING TO PRADO, WHAT WOULD BE MOST HELPFUL WOULD BE FOR THE PRESIDENT -- AFTER A COOLING DOWN PERIOD OF A WEEK OR SO, TO DETERMINE THAT IN LIGHT OF ECUADOR'S AND VENEZUELA'S HELPFUL STANCE DURING THE OIL EMBARGO OF LAST WINTER, THE ANTI-OPEC MEMBER PROVISIONS OF THE TRADE REFORM ACT SHOULD BE WAIVED ON THEIR BEHALF. FOR MAXIMUM IMPACT IN LATIN AMERICA, THIS WOULD BE PUBLICLY ANNOUNCED BY THE PRESIDENT, BUT

IT COULD TAKE VIRTUALLY ANY FORM, SO LONG AS IT COULD BE PORTRAYED AS AN AMERICAN GESTURE. NO SKIN OFF THE US NOSE, SINCE NEXT TO NOTHING IN THE WAY OF COMMERCIAL BENEFITS IS INVOLVED. AND A BOW TOWARDS THE "NEW DIALOGUE" WOULD BE APPRECIATED BY THE LATINS AT THIS TIME OF SOME UNCERTAINTY ABOUT THE PROFUNDITY OF THE US COMMITMENT TO THE HEMISPHERE. AND THE SENTIMENT OF CONGRESS (ANTI-THE PEOPLE WHO IMPOSED THE EMBARGO) WOULD BE RESPECTED. AND BUENOS AIRES, IF IT WERE STILL DESIRED, COULD GO FORWARD.

6. PRADO STATED CATEGORICALLY THAT ECUADOR WAS MAKING PLANS IN THE MEANTIME, NOT AS AN ATTEMPT AT PRESSURE AGAINST THE US SO MUCH AS LOGICAL EXTENSION OF HER REACTION TO THE TRADE REFORM ACT, TO CALL FOR A SPECIAL MEETING OF OAS FOREIGN MINISTERS TO CONSIDER THE US ACTION. BUT HE BELIEVES THE ONLY POSSIBLE OUTCOME OF SUCH A MEETING WOULD BE AN ACRIMONIOUS SESSION IN WHICH ONE AFTER ANOTHER OF LATIN AMERICAN FOREIGN MINISTERS WOULD FEEL COMPELLED TO DENOUNCE THE TRADE REFORM ACT AS A BLATANT VIOLATION OF ARTICLE 18 OF THE OAS CHARTER, IN WHICH MEMBERS PLEDGED TO RENOUNCE DIRECT OR INDIRECT COERCION (BY ECONOMIC OR OTHER MEANS) OF OTHER MEMBER STATES. VENEZUELA HAS AGREED TO SUPPORT SUCH A CALL FOR A SPECIAL MEETING OF OAS FOREIGN MINISTERS, AND UNDER EXISTING INFORMAL OAS GROUND RULES, ANY SUCH REQUEST FROM ANY MEMBER IS ALMOST AUTOMATICALLY HONORED BY THE TOTAL MEMBERSHIP. HE AGREED THAT SUCH A MEETING, WITH ITS RESULTANT AURA OF CONFRONTATION, IS HIGHLY UNDESIRABLE, AND INCONSISTENT WITH THE SPIRIT OF THE "NEW DIALOGUE", BUT THAT UNDER THE CIRCUMSTANCES, ECUADOR AND VENEZUELA FEEL THEY HAVE NO ALTERNATIVE.

7. PRADO RECOGNIZED - AND SAID THAT THE GOE FULLY RECOGNIZED - THE
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DIFFICULT POSITION THE ACTION OF THE CONGRESS HAD PUT THE PRESIDENT IN. THAT FOUR US ADMINISTRATIONS HAVE FOUGHT FOR THE TRADE REFORM ACT, AND THAT IT CONTAINED A GREAT DEAL THAT WAS POSITIVE AND BADLY NEEDED BY DEVELOPING STATES. BUT AT THE SAME TIME, HE WAS IN EFFECT PLEADING FOR (A) SOME DISTINCTION BETWEEN THE OPEC STATES WHICH IMPOSED THE OIL EMBARGO AND THOSE WHICH HAD NOT GONE ALONG, AND (B) FOR SOME GESTURE ON BEHALF OF THE HEMISPHERIC PARTNERSHIP WHICH ALL OAS MEMBERS WANT TO SEE SURVIVE AND PROSPER.

8. COMMENT: IT WOULD BE EASY ENOUGH TO SAY THAT THE GOE HAS ONCE AGAIN GONE OUT ON A LIMB WITH PUBLIC STATEMENTS, FROM WHICH IT THEN FINDS IT VERY DIFFICULT TO RETREAT; SUCH AS BOYCOTTING THE BUENOS AIRES MEETING OF FOREIGN MINISTERS IF THE PRESIDENT SIGNED THE TRADE REFORM ACT WITH THE ANTI-OPEC PROVISION, NOTWITHSTANDING THE FACT THAT AFTER NEARLY A TEN

YEAR BATTLE TO GET SUCH A BILL, ITS SIGNATURE INTO LAW AS
VIRTUALLY ASSURED (EVEN THOUGH THERE WERE SOME LESS-THAN-
FELICITOUS PROVISIONS IN IT). BUT IN FACT, THE ECUADOREANS HAVE
TAKEN THE MEASURE VERY MUCH AS A SLAP IN THE FACE, AND HAVE
PUBLICLY ANNOUNCED THAT SINCE THE ACT WAS SIGNED, THEY WON'T
ATTEND AT BUENOS AIRES, AND THEY BELIEVE THEY HAVE A FIRM
COMMITMENT FROM VENEZUELAN PRESIDENT PEREZ THAT VENEZUELA WON'T GO
EITHER. THEY MAY BELIEVE, HOWEVER, THAT IT IS POSSIBLE
TO SALVAGE THE BUENOS AIRES MEETING WITH A MAXIMUM OF
FACE-SAVING FOR BOTH THE US AND ECUADOR/VENEZUELA, AND, IF PRADO'S
VIEWS REFLECT AT LEAST PARTIALLY GOE OPINION, APPEAR TO WANT TO
EXPLORE THE POSSIBILITIES FOR DOING SO.
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